



GTE Service Corporation
1850 M Street, N.W., Suite 1200
Washington, DC 20036
202 463-5200

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February 9, 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex parte - CC Docket No. 92-77 (Phase II), Billed Party Preference

Dear Mr. Caton:

GTE Telephone Operations ("GTE") would like to address the Billed Party Preference ("BPP") issue of 14-digit screening and the suggested alternative of issuing "mandated joint cards." Fourteen-digit screening was the subject of recent *ex parte* filings by Ameritech (September 3, 1993) and Southwestern Bell (December 8, 1993). Sprint, in an *ex parte* (October 5, 1993), discussed both 14-digit screening and mandated joint cards. GTE will neither repeat the concept or definition of 14-digit screening nor Ameritech's and Southwestern Bell's arguments against it. Instead, GTE would like to expand on the drawbacks of 14-digit screening and Sprint's suggested alternative of mandated joint cards.

GTE supported BPP in its initial comments as BPP makes operator services more user friendly and ensures billed parties that their carrier of choice will handle their calls, but GTE opposed 14-digit screening. GTE has not changed its position on either BPP or 14-digit screening. In this letter, GTE explains its opposition to 14-digit screening and mandated joint cards and its decision to withdraw support for BPP if either 14-digit screening or mandated joint cards are incorporated as a BPP requirement.

GTE agrees with Ameritech's and Southwestern Bell's arguments against 14-digit screening; *e.g.*, it adds significant and unnecessary costs to BPP implementation, it places an unjustifiable administrative burden on Local Exchange Carriers ("LECs"), it increases fraud potential, and it creates a number of technical issues. GTE also opposes 14-digit screening because it requires the sharing of calling card data bases.

In its *ex parte*, Sprint stated that there appears to be only two possible technical alternatives that allow Interexchange Carriers ("IXCs") to retain Telephone Line-Numbered ("TLN") cards in a BPP environment; *i.e.*, 14-digit screening or a single TLN card issued by either the LEC or the IXC. Sprint prefers the 14-digit screening option. Sprint also stated that with mandated joint cards, a LEC's sole responsibility would be maintenance of the joint card's PIN in the LIDB. GTE believes that Sprint has over simplified the issues. Either 14-digit screening or a mandated joint card will require interaction between a dozen LIDB operators and hundreds of IXCs regarding many issues; *e.g.*, PIN provisioning, account administration, alternative carrier assignments, fraud thresholds, fraud monitoring, fraud liability, credit status, joint card production, joint card format, customer billing, administrative fees, service enhancements, service limitations, and subaccount billing.

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Even if the LECs manage these issues to the best of their ability, 14-digit screening and mandated joint cards will create conflicts of interest between LECs and IXC's in the following areas:

- o **Competition:** Competition between LECs and IXC's exists today and will expand in the future. As it expands, distrust between competing parties sharing a calling card data base is inevitable. LECs will be accused of manipulating LIDB information or of refusing to develop and/or implement IXC requested enhancements as a means of maintaining a competitive advantage. If a LEC develops a LIDB enhancement that improves its competitive situation and does not offer it to the IXC's using its LIDB, the LEC will be accused of "restraint of trade," being a bottleneck, or taking advantage of its LIDB ownership. Conversely, if an IXC develops an enhancement that is incorporated into a LEC's LIDB, the IXC likely will want to deny its use to the LEC or other IXC's. Controlling the use of proprietary features in the LIDB on a per carrier basis would be a technical and administrative nightmare.
- o **Standardization:** LIDB software applications will require some feature standardization. IXC special requests can be accommodated but will have associated incremental costs of development and administration. "Thresholding" is one example. This is a capability where a certain level of card validations within a given time frame triggers administrative action by the LIDB operator; and, at higher levels of activity, results in automatic "shutdown" of the card. Today, LIDB operators establish LIDB thresholds while IXC's establish thresholds in their calling card data bases. These thresholds vary. Introducing an IXC's PINs into a LEC's LIDB will bring with it the IXC's desire to retain its thresholds. Decisions will be required to determine if: LIDBs must support different threshold levels by PIN number; LEC thresholding criteria or a common IXC criteria will be used; card activity will be aggregated by TLN account or by individual PIN; one PIN triggers a "shutdown" mode will all TLN PINs be likewise restricted. Other issues similar to those listed will be encountered if data base sharing is mandated.
- o **Account Management:** Today, LIDB operators generally provide total administration of all LIDB accounts. IXC's with calling card offerings operate and administer their own calling card data bases and validation networks. However, if IXC PINs or mandated joint cards are introduced into LEC LIDBs, the IXC's will want varying degrees of autonomy over account administration such as initial account provisioning; e.g., IXC's may not be satisfied with the LEC's speed of provisioning new account data. Other items that IXC's may want include: direct access to LEC LIDBs for daily administration of customer accounts to control fraud, change thresholds, and adjust credit status; real time data on query activity of PINs for purposes of fraud management; and individual hourly, daily, or monthly status reports of activity on accounts.

While these may be reasonable requests, the development of interfaces and managing the physical interconnection of hundreds of IXC's with a dozen LIDBs is extremely complex. In addition to developing the interfaces, the LECs must

continue to ensure the reliability and integrity of the LIDB data, provide security against illegal tampering, and avoid conflicts with update activities between parties.

- o **Customer Billing:** Neither 14-digit screening nor a mandated joint card arrangement communicates the card issuer's identity for billing purposes; *i.e.*, for LEC or IXC calling cards the LIDB only has information on which IXC is to carry interLATA/international calls. And, the current billing record only captures the card account number not the PIN or the Carrier Identification Code ("CIC"). If the card issuer is also the billing entity, additional call record information would be required. Call records would be required to capture the account number and the card issuer's identity. This is not being done today unless the card issuer's identity is embedded in the card number; *i.e.*, Card Issuer Identification ("CIID") and 891 cards. With TLN cards (in a 14-digit screening or joint card situation), there is no card issuer identifier inherent in the card number. An additional call record field would be required if billing systems were required to recognize and separate call records according to the card issuer's identity. To populate the extra field on the call record, the LIDB would have to provide a card issuer's code at the time of validation. This would require additional fields in LIDB to store these codes and more administration to maintain them. Existing CICs are not a solution for identifying the card issuer since even a LEC issued card will have an associated 0+CIC which is not the card issuer. Also, LECs typically are not assigned a CIC code, yet one would be needed for this process. Billing for either 14-digit screening or a mandated joint card option would require significant planning and development plus the resolution of major problems.
- o **Fraud Liability:** With either 14-digit screening or mandated joint cards, there will be increased IXC demand for LECs to assume more (or all) financial responsibility for fraud. The LEC, as the LIDB owner, would be performing all fraud management for IXC PINs or joint cards. Currently, the LECs are being pressured to assume more responsibility for fraud on IXC calls billed to LEC cards. However, today many of the IXCs' interLATA/international calls are billed to proprietary IXC cards. With BPP and either 14-digit screening or mandated joint cards, significantly more calls will be billed to IXC TLN card PINs or joint cards. It would be unfair to require LECs to manage IXC card data bases and then to burden the LECs with additional financial responsibility for fraud billed to LIDB-managed card accounts. On the other hand, the IXCs will have little or no control over the fraud management on their accounts and will not be willing to accept financial responsibility without control.

The issues discussed above are examples of potential IXC/LEC conflicts should either 14-digit screening or mandated joint cards be required for BPP. As a solution, GTE proposes that the *status quo* be maintained; LECs and IXCs continue to maintain separate and distinct calling card data bases. This preserves each party's right to manage and develop its card functionality and services as it sees fit. Maintaining separate data bases does not prohibit mutual card honoring agreements. GTE supports mutual card honoring agreements (for the benefit of the public) on a voluntary and contractual basis between entities that wish to accept each other's cards.

Mr. William F. Caton
February 9, 1994
Page 4

GTE also believes that it is a company's right to limit the use of its card and not allow others to accept its card if they believe it is not in their company's interest to do so.

Maintaining the *status quo* will result in some consumers' cards not being accepted (as is the case today) where mutual honoring does not exist. However, most consumers know the limitations of their cards. In a BPP environment, without 14-digit screening or mandated joint use cards, IXCs with TLN accounts will have to give up those card formats or limit their usage to access code arrangements. This may be difficult for some IXCs to accept, but they should consider this loss in view of the larger benefits provided by BPP. Perhaps these IXCs' TLN cardholders would be willing to trade TLN cards for 891 or CIID cards if they are made aware of the benefits of BPP (not having to dial an access code and the assurance that they will always get their carrier of choice). These IXCs also should remember that AT&T has given up TLN card formats and done quite well with CIID and 891 cards. Customers do not select a carrier based primarily upon its calling card format. Easy access, afforded by BPP, has much more appeal. Ultimately, the entire industry will need to migrate to the 891 format, so BPP could be viewed as an early driver for IXCs with TLN card formats. With the 891 format, the customer account number can be a TLN.

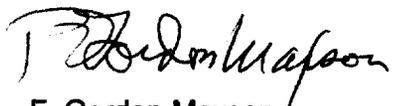
Both 891 and CIID formats currently can be supported on the LECs' networks for BPP with some minor administrative provisioning. IXCs using either of these formats can maintain their own calling card data bases and administer them as they choose. They can control who accepts their card and can provide whatever fraud controls or value-added features they see fit. They are not dependent upon others for this aspect of their business. These advantages should not be overlooked and quickly traded for the subjective benefits of a TLN card format.

GTE is not opposed to cooperative efforts between LECs and IXCs who choose to provide joint cards. But GTE opposes mandated joint card arrangements and 14-digit screening. GTE believes that the issues associated with either 14-digit screening or mandated joint cards cannot be addressed in a manner that would satisfy any of the parties. Therefore, GTE strongly urges the Commission to refrain from making either 14-digit screening or joint cards a requirement of BPP.

Two copies of this Notice are hereby filed with the Secretary of the Commission in accordance with Section 1.1206(a)(1) of the Rules. Please include this letter in the record of this proceeding.

I may be reached at (202) 463-5291 if further information is needed.

Sincerely,


F. Gordon Maxson
Director - Regulatory Affairs